Investment Section

INDIANA PUBLIC RETIREMENT SYSTEM

2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

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August 21, 2012

Board of Trustees
Indiana Public Retirement System
One North Capital Avenue
Indianapolis, IN 46204

Dear Trustees:

Strategic Investment Solutions is pleased to present the Indiana Public Retirement System ("INPRS") results for the fiscal year ended June 30, 2012.

As of June 30, 2012, the Consolidated Defined Benefit Fund had combined assets of $19.7 billion, a decrease of $2.1 billion since June 30, 2011. The decrease in assets was due to net cash outflows, specifically the removal of the PERF Guaranteed Fund assets, during the fiscal year rather than investment losses. The Consolidated Defined Benefit Fund's flat investment returns were benefited by strong results from fixed income, real estate, and private equity, offset by weak returns from public equities, particularly foreign equities, and commodities.

2012 Market Environment

The market environment during the 2012 fiscal year was driven by macro factors, both on the upside and downside. The first half of the fiscal year saw a return of optimism as investors believed the Euro crisis would be resolved through coordinated government intervention and economic growth started to pick up, particularly in the US. In the latter half of the year optimism soon turned to gloom as the sovereign debt crisis in the small peripheral markets of Greece and Portugal spread to the much larger markets of Spain and Italy, posing a bigger threat to the European economy and the future of European currency union.

Debt markets followed this "risk-on/risk-off" pattern as well; US Government bonds and other sovereign debt issued by "safe" countries such as Germany, Denmark, and Switzerland continued to rally, particularly in the second half of the year, with the two-year US Treasury yield falling to less than 30 basis points. For the three countries listed above, two-year yields went negative, meaning *lenders* were paying *borrowers* interest in exchange for greater confidence that their principal would be returned at maturity.

Asset Class Results

Overall, global equity markets suffered during the fiscal year, particularly during the second half, though the US held up relatively well. Domestic large cap stocks, represented by the Russell 1000 Index, led with a 4.4% gain, as high quality stocks with stable and growing earnings and dividends were preferred by investors. This gain outpaced the Russell 2000 Index of small cap stocks, which had a return of -2.1%. Growth stocks outperformed value stocks, 5.1% to 2.6%.

Within sectors, defensive sectors with high average dividend yields led the way, including Consumer Staples (13.5%), Telecommunication Services (13.1%) and Utilities (13.0%). Conversely, cyclical sectors lagged, including Energy (-9.5%) and Materials (-7.3%).

Internationally, both developed and emerging markets had a downturn as weak economic growth and concerns about sovereign risk weighed on risky assets. The MSCI EAFE Index, representing developed markets, lost 13.4% of its value while the MSCI Emerging Markets Index lost 15.7%, as local market weakness was exacerbated by the depreciating Euro and British Pound relative to the US Dollar and Japanese Yen.

Over the course of the year, interest rates moved lower, particularly during the second half. As a result, broad bond market indices posted gains, with the Barclays Capital Aggregate Index up 7.5% and the BC Government/Credit Index up 8.8%. High yield bonds surged during the first half of the year along with other risky assets, but gave up some ground during the second half; overall, the BC High Yield Index was up 7.3% during the year. In foreign bond markets, the benefit from lower rates was offset by weaker currencies and wider credit spreads, with the Citigroup Non-US WGBI up a modest 0.4%.

Real estate continued its rebound from the lows of 2009-10, with the NCREIF Property Index, representing private real estate, up 12.0% during the year and the NAREIT Equity REIT Index, representing public real estate securities, up 12.9%.

Private equity posted strong results during the year (+12.0% for Consolidated Defined Benefit Fund private equity holdings) but this result does not incorporate valuations from much of the second half of the year, which are likely to be lower.

Hedge funds, which many expected to benefit from the volatile market environment, posted disappointing results, with the HFRI Fund of Funds Composite Index down 4.5% during the year.

Consolidated Defined Benefit Fund's Performance

Consolidated Defined Benefit Fund assets returned 0.7% during the year (net of fees), under-performing the 1.4% gain of the Total Fund benchmark. Positive contributors to performance included global diversified fixed income (+6.7%), global inflation-linked bonds (+11.1%), real estate (+9.0%), and private equity (+12.0%). Global public equity (-6.1%) and commodities (-11.7%) lost ground, though both exceeded their respective benchmark returns.

Strategic Contribution

Mid-way through the fiscal year, the INPRS Board approved new asset allocation targets as part of an Asset-Liability Modeling study conducted during the fall of 2011. As part of this study, several substantive changes were made to the INPRS investment strategy, with the primary goals of achieving a long term rate of return of 7% *(note: INPRS's Board approved a long term rate of return of 6.75% effective for FY13)* while improving the risk diversification of the fund. Those changes include:

- Reduce reliance on public equities to drive returns
  - 16.4% reduction in Global Public Equity

- Increase exposure to inflation-sensitive assets as a hedge and diversifier
  - 4.3% increase in Commodities, with TIPS for collateral
  - 3.1% increase in Real Estate
- Improve risk diversification and downside protection
  - 3.2% increase in Absolute Return
  - Introduction of new 10% Risk Parity allocation

Although the Consolidated Defined Benefit Fund underperformed its benchmark during the fiscal year, this was during a transition period. The asset allocation changes will take several months to implement. Two Risk Parity managers were funded March 2012 with 1-2 additional managers expected in FY'13. We will seek to fund a small number of differentiated strategies to gain Risk Parity exposure. We believe this program will diversify the Consolidated Defined Benefit Fund's sources of risk and will allow the Fund to perform well in a variety of economic and market environments.

Manager Contribution

Overall, the Consolidated Defined Benefit Fund's investment managers had mixed relative results during the year. Bright spots for excess returns included: Private Equity (12.0% vs. 6.8%); Global Inflation-Linked Bonds (11.1% vs. 8.9%); and Absolute Return (-2.5% vs. -4.5%). Conversely, weak relative results in Domestic Equity (3.3% vs. 3.8%), in particular Large Cap and Micro Cap; Core Opportunistic Fixed Income (5.8% vs. 7.4%); and Real Estate (9.0% vs. 13.6%).

Observations

SIS believes the asset allocation changes made by INPRS during the fiscal year will benefit the Consolidated Defined Benefit Fund over the long term, with broader diversification by asset classes and risk factors and a greater emphasis on downside protection and inflation hedging, while still maintaining exposure to markets that should perform well during a pick-up in global economic growth. We look forward to our involvement in the implementation of these changes through our continued partnership with INPRS.

Best regards,

Pete Keliuotis, CFA
Managing Director

Report from the Chief Investment Officer

A new era began in Fiscal Year 2012 (FY12) for the Indiana Public Retirement System's (INPRS) investment portfolio as it did for the entire organization. It was a year of transition, from two entities (PERF and TRF) into one entity (INPRS). The investment staff spent much of FY12 consolidating, merging and capturing fee savings, as well as implementing best practices taken from both PERF and TRF.

Year in Review

The foundation for prudent investment management of the Fund is the investment policy governing such practices. As such, a new investment policy statement was developed which incorporated the best practices from PERF, TRF, and other peers. Other notable activities that occurred during the year include the consolidated role of the master custodian of the Fund, from two to one; as well as the consolidation of investment managers and mandates where appropriate. Although there is still work to do, savings thus far, relative to the merger into INPRS, has amounted to almost $300 million in net present value.

Along with the above accomplishments, INPRS' investments department documented the following three long term goals that are vital for the continued health of the Fund:

Achieve the long term rate of return assumption. During FY12, the long term rate of return assumption, set by the INPRS Board, was 7 percent (effective FY13 the long term rate of return, set by INPRS Board, is 6.75 percent). In order for INPRS' Funds to maintain a healthy funded status, it is imperative to achieve this rate of return over a long term period.

Accomplish the first goal as effectively and efficiently as possible. Recognizing that not only is it important to return 7 percent or the long term rate of return, annually; but as fiduciaries, just as important, is the need to accomplish this by focusing on return per unit of risk, diversification, and cost efficiency.

Have sufficient liquidity on hand to pay beneficiaries. INPRS is fortunate to have a highly liquid portfolio. The current liquidity profile is more than sufficient to match the beneficiary payment requirements of the Fund.

Another strong focus for the newly branded organization has been risk management. The investment department implemented a new risk system in FY12 to assist in risk identification, risk monitoring, and risk management of the portfolio. The risk system and risk culture being developed assisted in guiding the new asset allocation that was approved by the INPRS Board in October, 2011.

Global Asset Classes	Target Allocation	Target Range
Public Equity	22.5%	20.0% to 25.0%
Private Equity	10.0%	7.0% to 13.0%
Fixed Income – Ex Inflation-Linked	22.0%	19.0% to 25.0%
Fixed Income – Inflation-Linked	10.0%	7.0% to 13.0%
Commodities	8.0%	6.0% to 10.0%
Real Estate	7.5%	4.0% to 11.0%
Absolute Return	10.0%	6.0% to 14.0%
Risk Parity	10.0%	5.0% to 15.0%

INPRS assesses not only the *dollar* weight but more importantly, the *risk* weight. Equities (both public and private), as highly volatile asset classes, contributes much more risk for each dollar added than does fixed income. Diversification has always been a basic tenet of investing but given the uncertain economic times we currently face, it is prudent not to rely so heavily on economic environments in which equities perform best – high growth and low inflation, for achieving the long term rate of return. The new asset allocation is better balanced and positions the Fund to perform in diverse economic conditions.

The addition of Risk Parity is new to INPRS. Risk Parity, as its name suggests, is a strategy diversified by risk as opposed to a dollar percentage allocation. Risk Parity has been added to the strategic asset allocation, of the Fund, to assist in weathering many economic environments; and is comprised mostly of nominal bonds, TIPS (Treasury Inflation Protected Securities), commodities and equities. The nominal bonds will perform best in times of lower than expected growth and inflation. The TIPS will perform best in higher than expected times of inflation (as will commodities) and the equities will perform in higher than expected growth and lower than expected inflationary environments.

Performance

During FY12, markets experienced a high level of volatility. The U.S. downgrade, European Union viability concerns, as well as a fear of a global slowdown created volatility without much return to show for it. Despite significant market volatility, INPRS' one year return was +0.68 percent. While the return is slightly positive, it is well below the 7 percent long term rate of return assumption. It is expected that the asset allocation changes will present a higher probability of achieving the long term rate of return with less volatility in the future.

Negative contributors to performance included: Absolute Return -2.54 percent, Global Public Equity -6.13 percent, Commodities -11.71 percent.

Assets classes that were positively accretive to returns included: Global Private Equity +11.99 percent, Fixed Income - Inflation-Linked +11.07 percent, real estate +8.97 percent, Fixed Income – Ex Inflation-Linked +6.67 percent, Risk Parity +0.99 percent (*note: Risk Parity was implemented in March, 2012*).

In conclusion, the new era of INPRS began with significant changes that should position the portfolio to be better balanced, more efficient and effective to significantly increase the probability of achieving the goals of the Fund in the future.

Sincerely,

David C. Cooper
Chief Investment Officer

Outline of Investment Policies

The Indiana Public Retirement System (INPRS) Board of Trustees (Board) serves as the ultimate fiduciary of INPRS. Indiana Code, Article 5-10.5 provides that a nine-member Board of Trustees will oversee INPRS. The nine (9) trustees shall be appointed by the Governor, four (4) of whom must be members of INPRS. The INPRS Board of Trustees appoints the executive director.

The Board establishes investment policies; however, Indiana law establishes guidelines on the investment of the System's assets. At all times, INPRS must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

The primary objective of the Board's Investment Policy Statement (IPS) is to maintain adequate funding for each retirement fund and pension system in order to provide for the payment of such fund's actuarially-determined liabilities over time in a cost-effective manner. The purpose of the IPS is to support this general objective by:

- Setting forth the investment policies which the Board judges to be appropriate and prudent, in consideration of the needs and legal requirements applicable to direct investment of the assets;
- Making a clear distinction between the roles and responsibilities of the Board, Staff, and each Service Provider;
- Establishing formalized criteria to measure, monitor and evaluate the performance results of the Investment Managers;
- Communicating the investment policies, objectives, guidelines, and performance criteria of the Board to the Staff, Investment Managers, Consultants, Service Providers, employers, members and all other interested parties; and
- Serving as a review document to guide the ongoing oversight of the investments by the System and demonstrating that the Board is fulfilling its fiduciary responsibilities in the administration and management of each retirement fund's assets solely in the interests of such retirement fund's members and beneficiaries.

The Board intends for the IPS to be a dynamic document, and, as such, expects to conduct periodic reviews utilizing input from INPRS Staff, Consultants and other knowledgeable parties. The Board anticipates approving changes from time to time to reflect changes in any or all of: economic and market conditions, investment opportunities, the system's investment strategy, benefit provisions, and the INPRS' governance.

The Board recognizes that asset allocation is the most important determinant of long-term investment results. The procedure for determining the allocation will consider the relevant characteristics of the liabilities and the potential assets of the fund. An asset liability study will be conducted no less than every three (3) years and will analyze the expected returns of various asset classes, projected liabilities, risks associated with alternative asset mix strategies and their effect on the projected market value of assets, funded status, and contributions to the fund.

The investment portfolio includes long-term commitments to the following asset classes: Public Equity, Private Equity, Fixed Income - Ex. Inflation-Linked, Fixed Income – Inflation-Linked, Commodities, Real Estate, Absolute Return, and Risk Parity.

The Board employs investment managers to implement the asset allocation through a selective and thorough search process that embodies the principles of procedural due diligence. It is the intent of the Board to encourage the participation of all qualified organizations in this process. The Board encourages investment managers to develop long-term investment strategies consistent with the guidelines outlined in the IPS, as well as governing Indiana statutes. Additionally, investment managers will adhere to and comply with the CFA Institute Global Investment Performance Standards in calculating and reporting investment performance. Performance of each manager is measured against the rate of return associated with appropriate market index benchmarks and an appropriate universe or style peer group of investment managers.

The Annuity Savings Account (ASA) is an account established for each member of the Public Employees' Retirement Fund and the Teachers' Retirement Fund. A member's account is credited with the legislated 3 percent mandatory contribution (either paid by the member or "picked-up" by the employer). The member has investment direction to several alternative funds or may direct contributions to the Guaranteed Fund. The ASA produces an additional separate benefit from the fixed-formula employer-funded pension benefit to the member. The ASA investment options currently include (click on each fund to be directed to the fund fact sheet for the fund option or access on the INPRS Web site at **http://www.in.gov/inprs/fundfactsheets.htm**):

- Large Cap Equity Index Fund;
- Small/Mid Cap Equity Fund;
- International Equity Fund;
- Fixed Income Fund;
- Inflation Linked Fixed Income Fund;
- Target-Date Retirement Funds;
- Money Market Fund;
- Stable Value Fund (Legislators' Plan only);
- Retirement Funds' assets (Legislators' Plan only);
- Guaranteed Fund

The Guaranteed Fund provides a guarantee of the value of an individual's contributions plus any interest credited. The INPRS Board of Trustees annually establishes the interest crediting rate for the Guaranteed Fund based on a uniform methodology. The interest crediting rate for the Guaranteed Fund during the last 10 years is included in the Investment Highlights of this section.

The number and types of investment funds offered will be periodically reviewed by the Board in order to ensure diversity of investment alternatives, adequate and reasonable availability of investment types, and clarity and usefulness of the investment choices. ASA performance data is included in the Investment Highlights of this section.

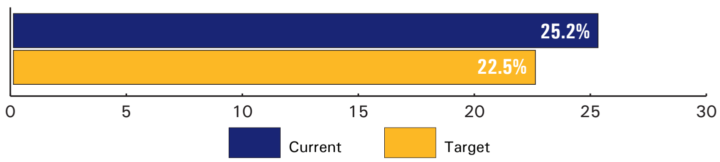
Public Equity

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$4,975.4 Million	(6.1)%	(6.9)%

Portfolio Objective

The Global Public Equity portfolio seeks to provide long-term capital appreciation and income through exposure to public equity securities. INPRS uses a variety of external managers to create a globally-diversified portfolio within the asset class. Historically, global public equities have performed well in environments when actual economic growth came in higher than expectations and/or when actual inflation came in lower than expectations.

INPRS Allocation



Performance Attribution

INPRS one-year performance was favorable by 0.8 percentage points relative to its benchmark, driven primarily by the overweight in domestic equities versus the developed international and emerging markets equities.

Market Overview

During fiscal year 2012, global equities, as represented by the MSCI ACWI, were down (6.9) percent. Equity markets were volatile during fiscal year 2012 due to uncertainties with European countries like Greece, Spain, and Italy; the slowing economy of China; and the United States' mounting fiscal debt. Based on the Russell 3000 Index, domestic equities were up 3.8 percent for fiscal year 2012. In addition, international equities were down (14.8) percent based on the MSCI ACWI ex US IMI Index.

For the first quarter of fiscal year 2012, domestic equities declined (15.3) percent after U.S. lawmakers agreed to raise the debt ceiling and the government's credit rating was downgraded to AA+. In addition, international markets remained depressed as European bank stocks sharply declined due to their exposure to weak European countries. As a result, global equities finished the quarter down (17.8) percent.

For the second quarter of fiscal year 2012, global equities rose 7.3 percent after the sluggish first quarter. Pressures on U.S. companies were rising due to a slowdown in foreign sales. However, investor confidence improved toward the end of the second quarter when economic data stated the U.S. was not headed back into a recession and European policymakers were taking bolder actions in an attempt to solve the sovereign debt crisis.

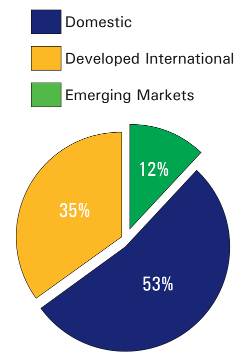
After the disappointing 2011, global public equity markets experienced success in the third quarter of fiscal year 2012, up 12.2 percent. Japan and Germany led the rising markets with quarterly returns near 20 percent. Central banks of developed countries across the world were stimulating, and economies were responding accordingly. The results of the Federal Reserve's stress test were released in March 2012, and 15 out of 19 bank holding companies passed, which showed significant signs of improvement in the economy. Overall, during the quarter, domestic equities were up 12.9 percent.

The fourth quarter of fiscal year 2012 experienced a decline in global growth and increased risk aversion among investors due to increased pressure to deleverage, less monetary stimulus in developed countries, and concerns over the future of the European Currency Union. Overall, for the fourth quarter, global equities were down (5.5) percent.

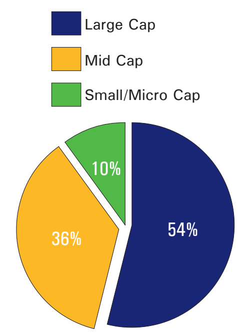
[1] *Global Public Equity benchmark is the MSCI All Country World IMI Index ("MSCI ACWI").*

Portfolio Structure

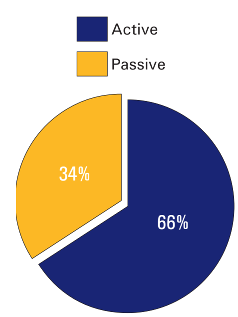
Regional Exposure



Market Cap Exposure



Investment Strategy



Consolidated Defined Benefit Assets

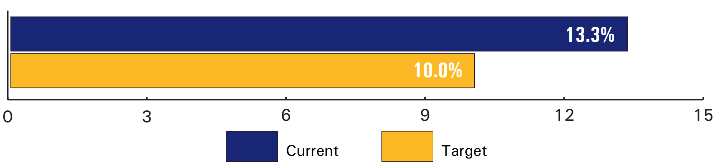
Private Equity

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$2,621.0 Million	12.0%	6.8%

Portfolio Objective

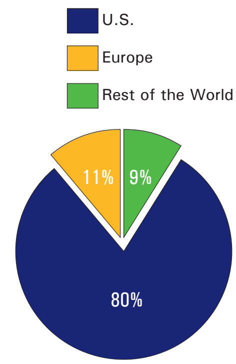
The Private Equity portfolio seeks to provide risk-adjusted returns in excess of the public equity markets while simultaneously decreasing the volatility of the INPRS investment portfolio through diversification. The Private Equity portfolio is invested in the following sub-asset classes: venture and growth capital, buyout, energy, and debt-related strategies.

INPRS Allocation

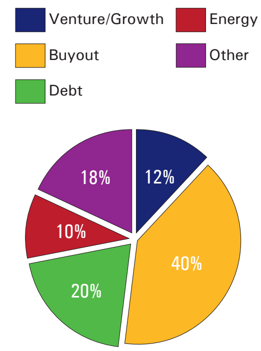


Portfolio Structure

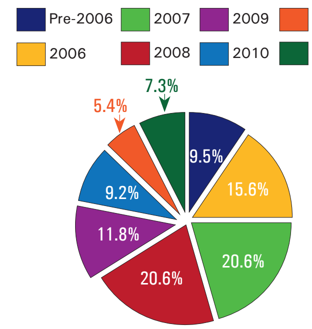
Investment by Region



Investment by Sub-Asset Class



Investment by Vintage Year



Performance Attribution

The Private Equity portfolio's performance returns were primarily driven by investments in the energy, domestic mid-market buyout, domestic large market buyout, and distressed debt sub-asset classes. The INPRS investments in energy funds earned a 16.5 percent return for fiscal year 2012.

The INPRS investments in domestic mid-market buyout managers returned 19 percent during fiscal year 2012. Similarly, domestic large market buyout investments in the Private Equity portfolio earned 16.1 percent and returned $189.1 million of capital. Given the strong IPO exit environment in the first half of fiscal year 2012, it is not surprising that the INPRS investments in buyout funds fared well.

With the global uncertainty surrounding the credit markets, the INPRS investments with distressed debt managers had strong performance over fiscal year 2012. The distressed debt sub-asset class within the Private Equity portfolio returned $231.5 million in capital during fiscal year 2012.

Market Overview

The Private Equity portfolio returned 12.0 percent for fiscal year 2012, which exceeded the benchmark return of 6.8 percent by 5.2 percentage points. In addition, the INPRS Private Equity portfolio has outperformed its benchmark over the 5-year period by 1.9 percentage points.

During fiscal year 2012, INPRS committed capital to a number of existing managers, as well as to a few new relationships. These commitments were made to managers who have shown strong prior performance in previous investments by INPRS and to strategies where additional exposure was desired. In making investments within the Private Equity asset class in fiscal year 2012, INPRS focused on balancing conviction in its chosen managers with appropriate diversification. To this end, INPRS made seven (7) investments ranging from $30 million to $100 million each in value, for a total of $402.5 million of new commitments.

[1]Private Equity benchmark is the Russell 3000 Index Plus 300 Basis Points.

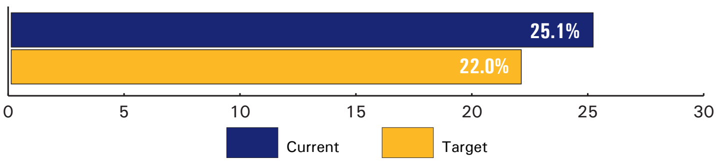
Asset Class Summaries, continued
Consolidated Defined Benefit Assets

Fixed Income – Ex Inflation-Linked

Market Value as of 06/30/12[1]	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[2]
$4,943.8 Million	6.7%	6.7%

Portfolio Objective
The Fixed Income portfolio seeks to generate current income and long-term risk-adjusted return in excess of the Barclays Capital Global Aggregate Index ("Benchmark") through investment in debt securities. A focus is placed on preservation of capital. To minimize the probability of substantial principal loss over the investment horizon, the objective is to reduce portfolio volatility prior to enhancing portfolio returns.

INPRS Allocation



Portfolio Structure

	INPRS	Benchmark
Duration to worst:	6.04	6.37
Yield to worst:	3.25%	2.21%
Credit quality:	A+	AA / AA-

Performance Attribution
For fiscal year 2012, the INPRS Fixed Income portfolio returned 6.7 percent, essentially the same as the benchmark. The portfolio's overweight to the corporate sector and underweight to the government sector were the main factors impacting performance.

Market Overview
During fiscal year 2012, capital markets were volatile primarily due to concerns over fiscal debt in both the U.S. and Europe, and a global economic slowdown, especially in the U.S. and China.

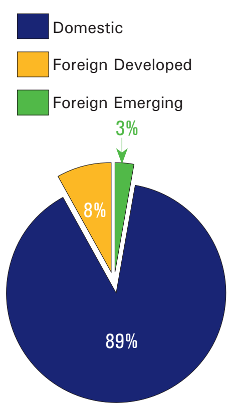
For the first quarter of fiscal year 2012, weak domestic economic data, the S&P downgrade of the U.S. sovereign rating to AA+ from AAA, and increased concerns over European sovereign debt unsettled markets. INPRS Fixed Income portfolio returned 0.9 percent for the quarter. The portfolio's overweight to the corporate sector and underweight to the government sector were the main detractors from performance.

For the second quarter of fiscal year 2012, measures put in place by European policymakers and major central banks around the world to help resolve concerns over European sovereign debt and to increase liquidity to the global banking system, calmed markets. The INPRS Fixed Income portfolio returned 1.5 percent for the quarter. The portfolio's overweight to the corporate sector and exposure to the mortgage-backed sector were the main contributors to performance.

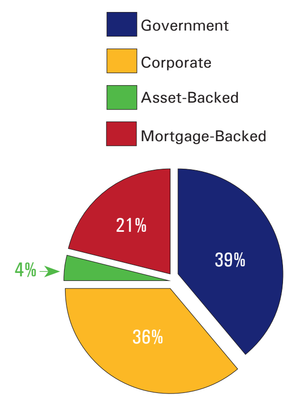
For the third quarter of fiscal year 2012, positive market sentiment from second quarter results directed a gain in momentum. The better-than-expected U.S. employment data, announcement by the Federal Reserve to keep interest rates exceptionally low until late 2014, and continued injection of liquidity by major central banks around the world into the global banking system, were the primary catalysts. The INPRS Fixed Income portfolio returned 2.3 percent for the quarter. The portfolio's overweight to the corporate sector was the main contributor to performance.

For the fourth quarter of fiscal year 2012, resurgence of concerns over European sovereign debt with a focus on deteriorating economic condition in Spain and Italy, weaker-than-expected U.S. employment data, and concerns over the U.S. fiscal cliff, dampened market sentiment. The INPRS Fixed Income portfolio returned 1.9 percent for the quarter. The portfolio's underweight to the government sector was the main detractor from performance.

Regional Exposure



Sector Exposure



[1]Market Value includes Cash.
[2]Fixed Income - Ex Inflation-Linked benchmark is the Barclays Capital Global Aggregate Index.

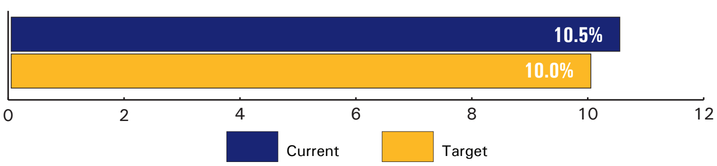
Fixed Income – Inflation-Linked

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$2,078.7 Million	11.1%	8.9%

Portfolio Objective

The Treasury Inflation Protected Securities ("TIPS") portfolio seeks to generate long-term risk-adjusted return in excess of the Barclays Capital Global Inflation-Linked Bond Index ("Benchmark") through investment in inflation-linked securities, and to provide protection against unanticipated inflation.

INPRS Allocation



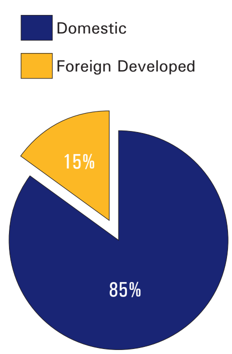
Portfolio Structure

	INPRS	Benchmark
Duration to worst:	9.65	9.28
Yield to worst:	1.49%	1.33%
Credit quality:	AA+	AAA

Performance Attribution

For fiscal year 2012, the INPRS TIPS portfolio returned 11.1 percent, outperforming the benchmark by 2.2 percentage points. The portfolio's overweight to U.S. TIPS was the main contributor to performance.

Regional Exposure



Market Overview

During fiscal year 2012, capital markets were volatile primarily due to concerns over fiscal debt in both the U.S. and Europe, and a global economic slowdown, especially in the U.S. and China.

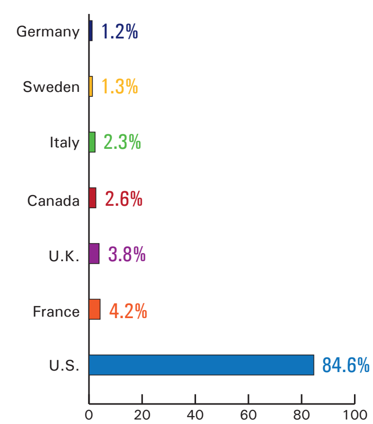
For the first quarter of fiscal year 2012, weak domestic economic data, the S&P downgrade of the U.S. sovereign rating to AA+ from AAA, and increased concerns over European sovereign debt, unsettled markets. The INPRS TIPS portfolio returned 4.7 percent for the quarter. Deteriorating global economic data was the main detractor to performance.

For the second quarter of fiscal year 2012, measures put in place by European policymakers and major central banks around the world to help resolve concerns over European sovereign debt and to increase liquidity to the global banking system, calmed markets. The INPRS TIPS portfolio returned 2.6 percent for the quarter. Prospects of a global economic recovery and higher inflation expectations contributed to performance.

For the third quarter of fiscal year 2012, positive market sentiment directed a gain in momentum. The better-than-expected U.S. employment data, announcement by the Federal Reserve to keep interest rates exceptionally low until late 2014, and continued injection of liquidity by major central banks around the world into the global banking system, were the primary catalysts. The INPRS TIPS portfolio returned 1.0 percent for the quarter. Improving U.S. economic data and higher inflation expectations contributed to performance.

For the fourth quarter of fiscal year 2012, resurgence of concerns over European sovereign debt with a focus on deteriorating economic conditions in Spain and Italy, weaker-than-expected U.S. employment data, and concerns over the U.S. fiscal cliff, dampened market sentiment. The INPRS TIPS portfolio returned 2.4 percent for the quarter. Weakening U.S. economic data and lower commodity prices were the main detractors from performance.

Country Exposure



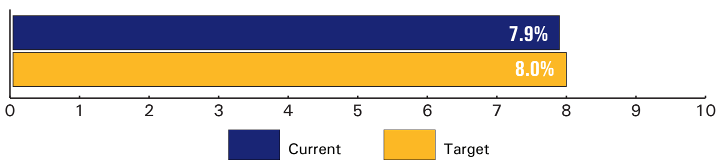
[1] *Fixed Income - Inflation-Linked benchmark is the Barclays Capital Global Inflation-Linked Bond Index.*

Commodities

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$1,559.5 Million	(11.7)%	(12.5)%

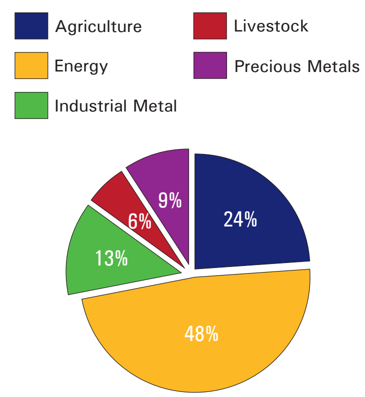
Portfolio Objective
The purpose of the INPRS Commodity portfolio is to enhance long-term risk-adjusted returns by preserving investment capital and lowering overall volatility. The portfolio should also act as a hedge against unanticipated inflation. Commodity investments have historically delivered returns that are less correlated with equity and fixed income markets which may provide an opportunity to enhance returns and/or reduce volatility.

INPRS Allocation



Portfolio Structure

Sector Weights



Performance Attribution
The INPRS Commodity portfolio's one-year performance led its benchmark by 0.8 percentage points. The outperformance from active management came in the first half of fiscal year 2012, and was the result of various over- and under-weights to the benchmark within mainly the agriculture and energy sectors.

Market Overview
The INPRS commodity exposure is approximately equal to a 50/50 blend of the Dow Jones UBS Commodity Index and the Goldman Sachs Commodity Index. For fiscal year 2012, these indices were down (14.4) percent and (10.8) percent, respectively.

Commodity prices experienced a significant decline in the first quarter of fiscal year 2012. The sharp drop came in September 2011, as Eurozone uncertainty weighed heavily on commodity prices. The severity of the downward move across various commodity sectors, including precious metals, was highly correlated to the sharp decline in equity prices. Tight physical supply/demand balances in several commodities helped to support prices against further declines.

During the second quarter of fiscal year 2012, returns remained mostly unchanged, despite intra-quarter volatility. Notably, with the exception of precious metals, every major commodity sector (Energy, Industrial Metals, Livestock and Agriculture) ended calendar year 2011 lower.

Although commodity prices were generally higher throughout the third quarter of fiscal year 2012, components of the major indices saw an increasing price dispersion that highlighted differing supply/demand fundamentals. Geopolitical risks involving Iran helped support the petroleum sector over the quarter, while natural gas prices plummeted on warm weather and excess supply. Agriculture markets were generally subdued with the exception of soybeans, which staged a sharp rally on tightening fundamentals.

Commodity prices were generally lower throughout the fourth quarter of fiscal year 2012. The quarter was defined by growing concerns over the European debt crisis and weather-related volatility in the agricultural and natural gas markets. Industrial commodities generally trended lower, while grains experienced sharp gains as extreme weather reversed optimistic crop forecasts.

[1]Commodities benchmark is a 50/50 blend of the Dow Jones UBS Commodity Index and the Goldman Sachs Commodity Index.

Asset Class Summaries, continued

Consolidated Defined Benefit Assets

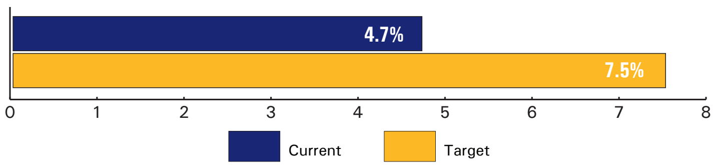
Real Estate

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$919.5 Million	9.0%	13.6%

Portfolio Objective

The INPRS Real Estate portfolio is mostly comprised of investments in private real estate partnerships, and the underlying exposures are a mix of debt and equity holdings. The portfolio seeks to generate attractive risk-adjusted returns by providing stable current income and preserving investment capital. The portfolio should also reduce volatility by providing a hedge against unanticipated inflation and through the diversification benefits provided by real estate investments.

INPRS Allocation



Performance Attribution

For fiscal year 2012, the Real Estate portfolio trailed its benchmark by 4.6 percentage points. The INPRS real estate debt investments, while achieving a respectable 7.7 percent return on an absolute basis, did not perform well relative to the INPRS all-equity benchmark and proved to be a significant drag on overall relative performance.

Market Overview

Private equity real estate was the top-performing major asset class heading into the start of fiscal year 2012. Returns for the two (2) major private real estate benchmarks, NPI and NFI-ODCE, exceeded public equities and bonds during the first three quarters of calendar year 2011. The NCREIF Property Index (NPI) was up 16.7 percent for the twelve-month period ending June 30, 2011.

For the first quarter of fiscal year 2012, the U.S. commercial real estate market maintained trends seen in the first half of calendar year 2011, with the apartment sector showing the strongest performance. Both capitalization rate compression and net operating income (NOI) growth contributed to strong appreciation for the sector. Overall, the NPI was up 3.3 percent for the quarter.

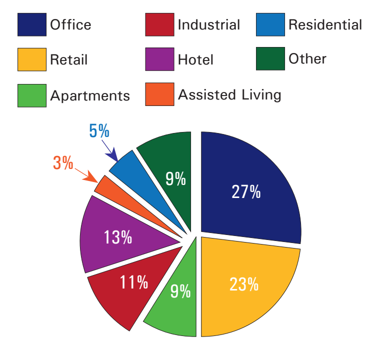
During the second quarter of fiscal year 2012, NPI was up 3.0 percent, marking the eighth consecutive quarter of positive total returns since the bottom of the market. Once again, apartments were the clear sector winner, with NOI growth contributing to its strong appreciation for the quarter. Nationally, investors continued to show their preference for the major gateway cities. Within the office sector, Manhattan, San Francisco and Washington D.C. comprised nearly half of the total property sales for calendar year 2011.

Following a very good calendar year 2011, commercial real estate continued its strong performance into 2012, with the NPI up 2.6 percent for the third quarter of fiscal year 2012. Appreciation return fell slightly from the prior quarter, as markets appeared to be stabilizing. Income return, however, was at a significant spread to Treasury yields, up 6.0 percent for the one-year period ending March 31, 2012.

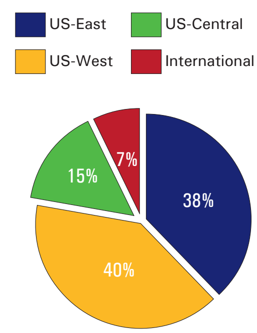
The NPI increased 2.7 percent during the fourth quarter of fiscal year 2012, with returns driven by appreciation and income. For the fiscal year, the office and hotel sectors were the only two (2) major sectors to underperform the headline NPI. The apartment and retail sectors led the outperforming sectors, returning 13.2 percent and 13.4 percent, respectively, for the twelve-month period.

Portfolio Structure

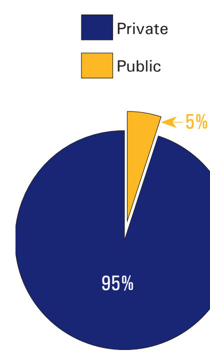
Property Type



Property Location



Market Type



[1] *Real Estate benchmark is the NCREIF Open End Diversified Core Equity Index ("NCREIF ODCE").*

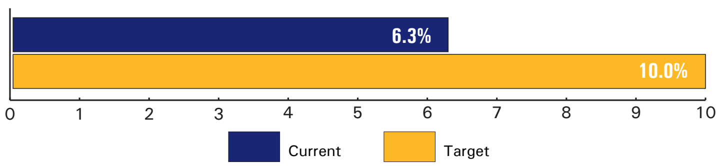
Absolute Return

Market Value as of 06/30/12	INPRS 1-Year Net Performance	Benchmark 1-Year Performance[1]
$1,241.0 Million	(2.5)%	(4.5)%

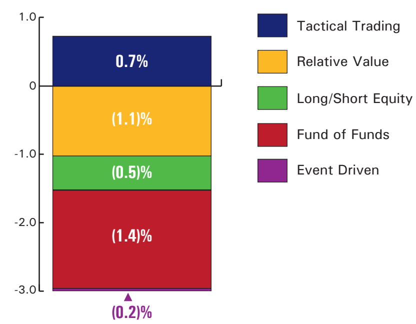
Portfolio Objective

The purpose of the Absolute Return Strategies Program is to enhance the long-term risk-adjusted returns by providing diversification benefits, while preserving capital and reducing volatility. Absolute Return Strategies generate returns by exploiting mispricing and inefficiencies in global capital markets, while attempting to reduce exposures to primary market factors (e.g., interest rates and equities) through various hedging techniques. These strategies have historically delivered returns that are less correlated with equity and fixed-income markets than traditional investment strategies. It is important to maintain an appropriate level of diversification among investment strategies in order to most effectively meet these stated objectives. At the end of fiscal year 2012, the Absolute Return portfolio consisted of 17 managers pursuing various investment strategies including long/short equity, event driven, relative value, and tactical trading.

INPRS Allocation



Contribution to Performance by Strategy

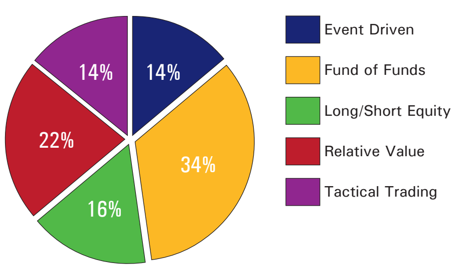


Performance Attribution

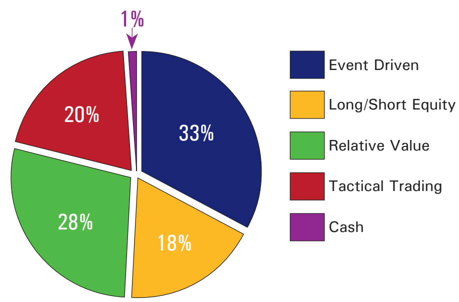
The INPRS Absolute Return portfolio's performance exceeded the benchmark (HFRI Fund of Funds Composite Index) by 2.0 percentage points. The favorable performance was the product of: (1) the portfolio's tactical trading managers capitalizing on the rally in developed market bonds; (2) a niche, asset-based investment manager producing yield and asset price appreciation; and (3) the portfolio's largest long/short equity manager returning over 8 percent during the course of fiscal year 2012.

Portfolio Composition

Fund of Funds Separated



Fund of Funds Combined



Market Overview

The Absolute Return portfolio was not insulated from the volatility endemic to the developed markets' deleveraging process and slowing growth concerns related to the U.S. fiscal cliff, Euro currency crisis and austerity, and falling Chinese growth.

Risk aversion and increased correlations resulted in macro sentiment impacting prices more than fundamentals during the first quarter of fiscal year 2012. As a result, higher beta convertible arbitrage and long/short equities suffered, losing (11.9) percent and (6.4) percent, respectively. Macro funds gained 7.7 percent for the quarter, benefiting from the decline in rates.

Domestic equities and distressed names in the portfolio rallied on better economic data, with both rising approximately 1.5 percent during the second quarter of fiscal year 2012. Macro managers underperformed most strategies as domestic and European rates struggled to find direction throughout the quarter.

During the third quarter of fiscal year 2012, risk assets continued to perform well on the back of improving U.S. data and constructive speech from Europe. The S&P 500 rallied 12 percent, and convertible arbitrage, long/short equity, and long/short credit gained 5.1 percent, 3.9 percent and 3.4 percent, respectively. Macro managers continued to struggle as bearish European bets were defied.

Closing out fiscal year 2012, in the fourth quarter a combination of negative news from Europe and weak U.S. data led to a risk-off quarter. The macro strategy fell (2.6) percent due to incorrect directional positions in rates, currencies, and volatility. However, long/short credit and convertible arbitrage performed relatively well due to defensive positioning, returning (0.4) percent and (0.9) percent, respectively, over the quarter.

[1]Absolute Return benchmark is the HFRI Fund of Funds Composite Index.

Risk Parity

Market Value as of 06/30/12	INPRS 1-Year Net Performance[1]	Benchmark 1-Year Performance[2]
$1,370.0 Million	1.0%	(2.1)%

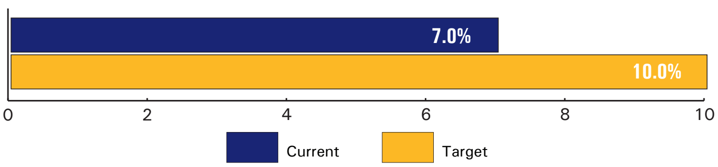
Portfolio Objective

The Risk Parity portfolio seeks to create risk-balance that is capable of delivering consistent and high risk-adjusted returns in several macro-economic environments. Unlike a traditional asset allocation that is highly dependent on positive equity returns, the Risk Parity portfolio is constructed to accrue various asset class risk premiums, including equity, without long-term dominance from any single asset class. As a result, the underperformance of a given asset class in a particular environment will automatically be offset by the outperformance of another asset with an opposing sensitivity to the environment.

The Risk Parity portfolio rests on the following key tenets:

1. Over a full market cycle, most asset classes carry a risk premium, and by investing in them, investors expect to earn a return higher than that offered by cash instruments.
2. The return of a particular asset class is proportional to its risk over long periods of time (i.e., different asset classes have similar Sharpe ratios).
3. The main drivers of returns are growth and inflation factors, and certain asset classes perform better than others depending on the particular combination of such factors the economy is facing.

INPRS Allocation



Performance Attribution

Since inception on March 14, 2012, the Risk Parity portfolio has produced a net of fees total return of 1.0 percent. This outperformed the traditional portfolio of 60 percent global equities and 40 percent global bonds by 3.1 percentage points over the same period.

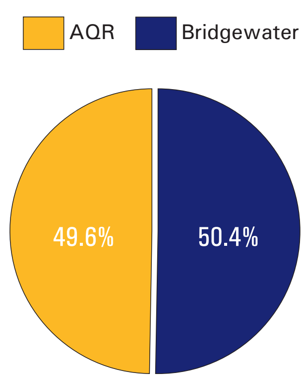
Market Overview

In the fourth quarter of fiscal year 2012, global economic growth disappointed due to fading monetary policy support globally, an acceleration of deleveragings across Europe, and slower growth in China. However, inflation changes were minimal over the quarter. As a result, assets with a bias to benefit from weaker-than-discounted economic growth performed well. The Barclays Global Aggregate Bond Index, with significant nominal bond exposure, was up 1.5 percent, and the Barclays Global Inflation-Linked Bond Index was up 1.3 percent. Assets that tend to struggle in this environment performed poorly. Global equities fell (5.7) percent , as represented by the MSCI ACWI IMI Index, and commodities fell (12.4) percent , as represented by the S&P GSCI Index. By risk-balancing the allocation across asset classes that perform in either environment, the Risk Parity portfolio was able to offset the significantly negative equity and commodity returns with positive bond returns.

[1]*Inception date was March 14, 2012.*
[2]*Risk Parity benchmark comprised of 60 percent MSCI ACWI IMI Index (equities) and 40 percent Barclays Global Aggregate Bond Index (bonds).*

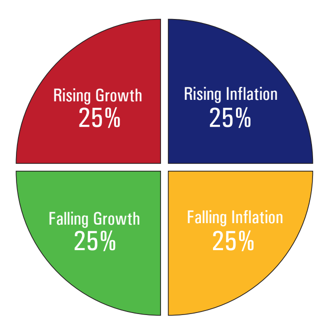
Portfolio Structure

Manager Allocation



Target Risk Allocation

Exposure to asset classes that perform well in the following economic environments.

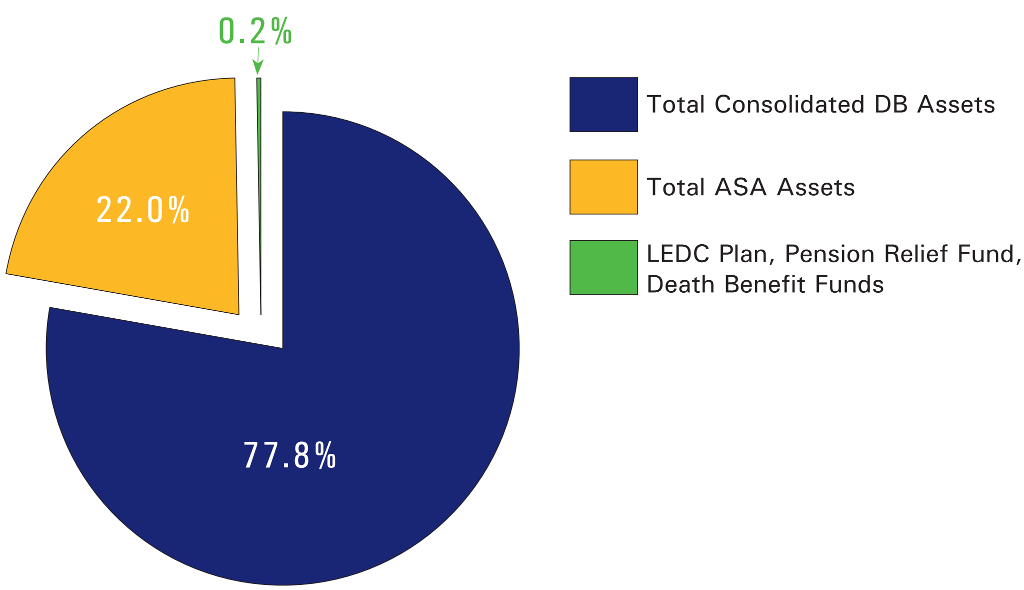


INPRS Unitized Investment Summary
Fiscal Year Ended June 30, 2012

(dollars in millions)

	Actual Assets	Percent
Consolidated Defined Benefit Assets:		
Defined Benefit Retirement Plans' Assets	$ 19,698.9	77.8%
Legislators' Defined Contribution Plan (LEDC Plan)[1]	10.0	-
Total Consolidated Defined Benefit Assets	**19,708.9**	**77.8**
Annuity Savings Accounts (ASA) Assets[2]:		
Public Employees' Retirement Fund (PERF)	2,727.9	10.8
Teachers' Retirement Fund (TRF)	2,850.7	11.2
Total Annuity Savings Accounts Assets	**5,578.6**	**22.0**
Legislators' Defined Contribution Plan[3]	14.2	0.1
Pension Relief Fund[4]	14.1	0.1
Death Benefit Funds[5]	12.2	-
Total INPRS Unitized Investments[6]	**$ 25,328.0**	**100.0%**

[1]Assets represent members of the LEDC Plan who have elected the Consolidated Defined Benefit Assets option.
[2]ASA assets are directed by PERF and TRF members outside the Consolidated Defined Benefit Assets.
[3]Account balances directed outside the Legislators' Consolidated Defined Benefit Assets option.
[4]Assets are invested in a Money Market Fund with Bank of New York Mellon.
[5]Includes State Employees' Death Benefit Fund and Public Safety Officers' Special Death Benefit Fund. Assets are invested in Fixed Income securities benchmarked against Barclays Capital U.S. Government Credit Index.
[6]Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, Securities Sold Under Agreement to Repurchase, and immaterial timing differences compared to the accounting records.

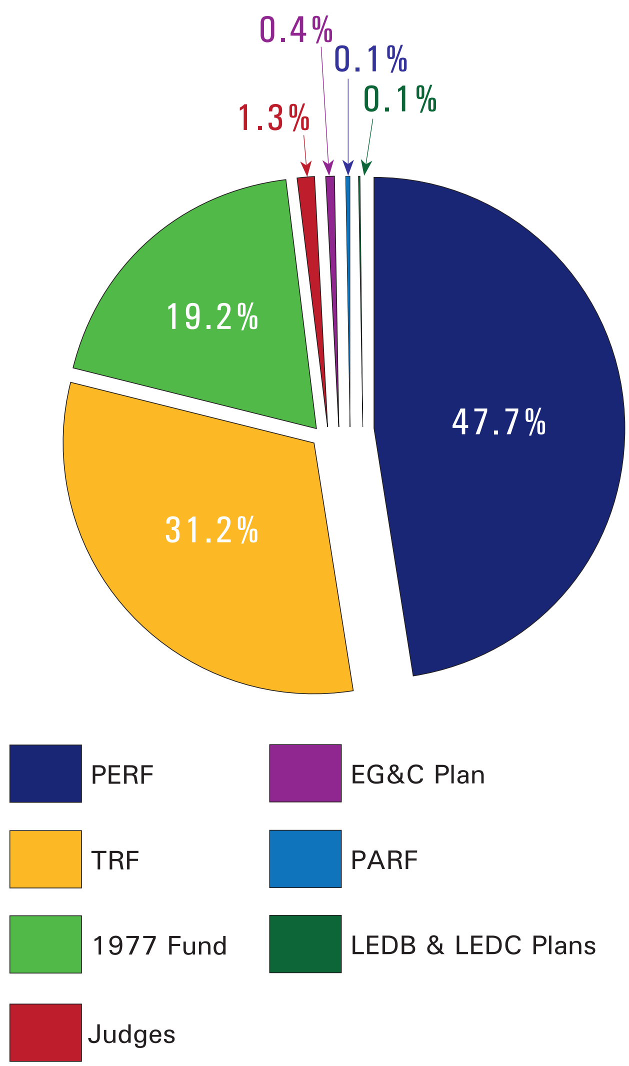


Retirement Plans in Consolidated Defined Benefit Assets
Fiscal Year Ended June 30, 2012

(dollars in millions)

Retirement Plan	Amount	Percent
Public Employees' Retirement Fund	$ 9,396.0	47.7%
Teachers' Retirement Fund	6,157.9	31.2
1977 Police Officers' & Firefighters' Pension and Disability Fund	3,775.8	19.2
Judges' Retirement System	262.1	1.3
State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan	76.1	0.4
Prosecuting Attorneys' Retirement Fund	27.6	0.1
Legislators' Retirement System – Defined Benefit Plan	3.4	-
Legislators' Retirement System – Defined Contribution Plan	10.0	0.1
Total Consolidated Defined Benefit Assets[1]	**$ 19,708.9**	**100.0%**

[1]Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, Securities Sold Under Agreement to Repurchase, and immaterial timing differences compared to the accounting records.



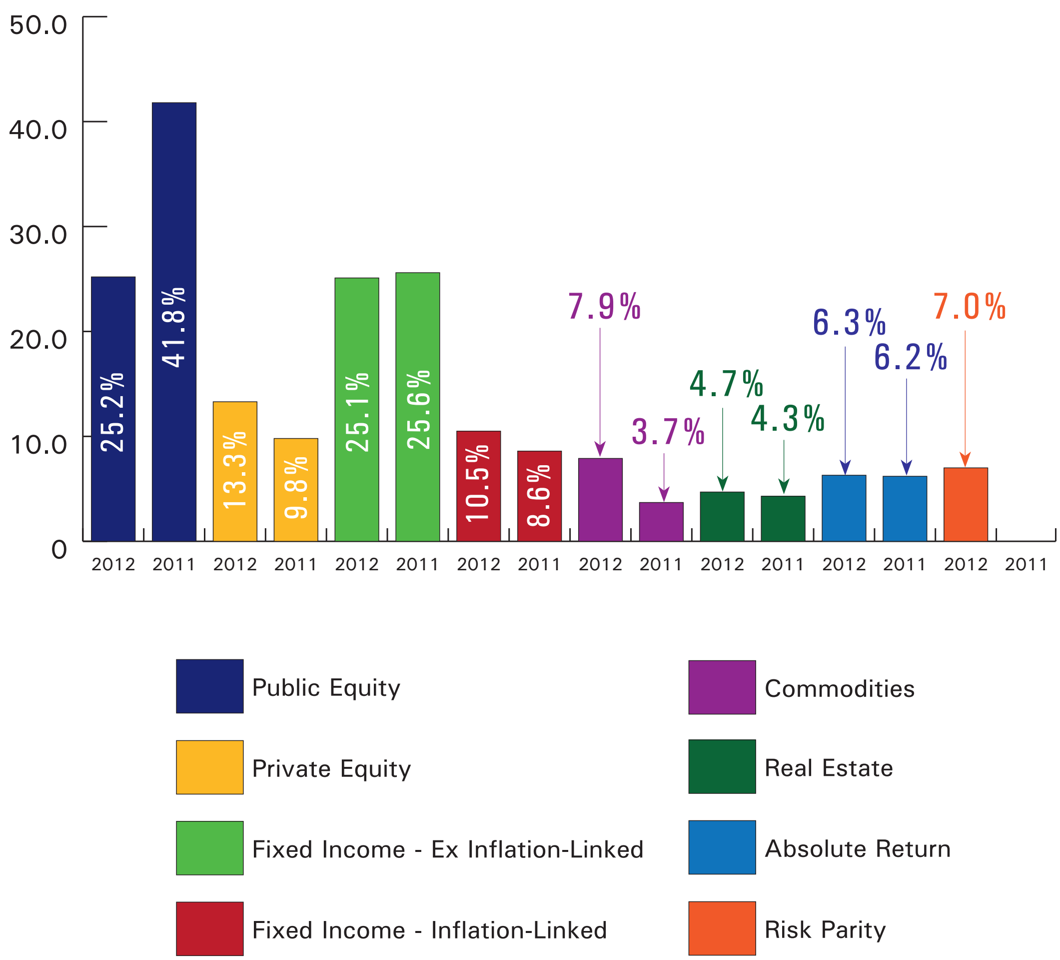
Consolidated Defined Benefit Assets
Asset Allocation Summary
June 30, 2012 Actual vs. June 30, 2011 Actual

(dollars in millions)

	June 30, 2012		June 30, 2011[1]	
Asset Class	**Amount**	**Percent**	**Amount**	**Percent**
Public Equity	$ 4,975.4	25.2%	$ 9,109.4	41.8%
Private Equity	2,621.0	13.3	2,143.1	9.8
Fixed Income – Ex Inflation-Linked	4,943.8	25.1	5,579.5	25.6
Fixed Income – Inflation-Linked	2,078.7	10.5	1,869.3	8.6
Commodities	1,559.5	7.9	802.3	3.7
Real Estate	919.5	4.7	928.8	4.3
Absolute Return	1,241.0	6.3	1,348.2	6.2
Risk Parity	1,370.0	7.0	N/A	N/A
Total Consolidated Defined Benefit Assets[2]	**$ 19,708.9**	**100.0%**	**$ 21,780.6**	**100.0%**

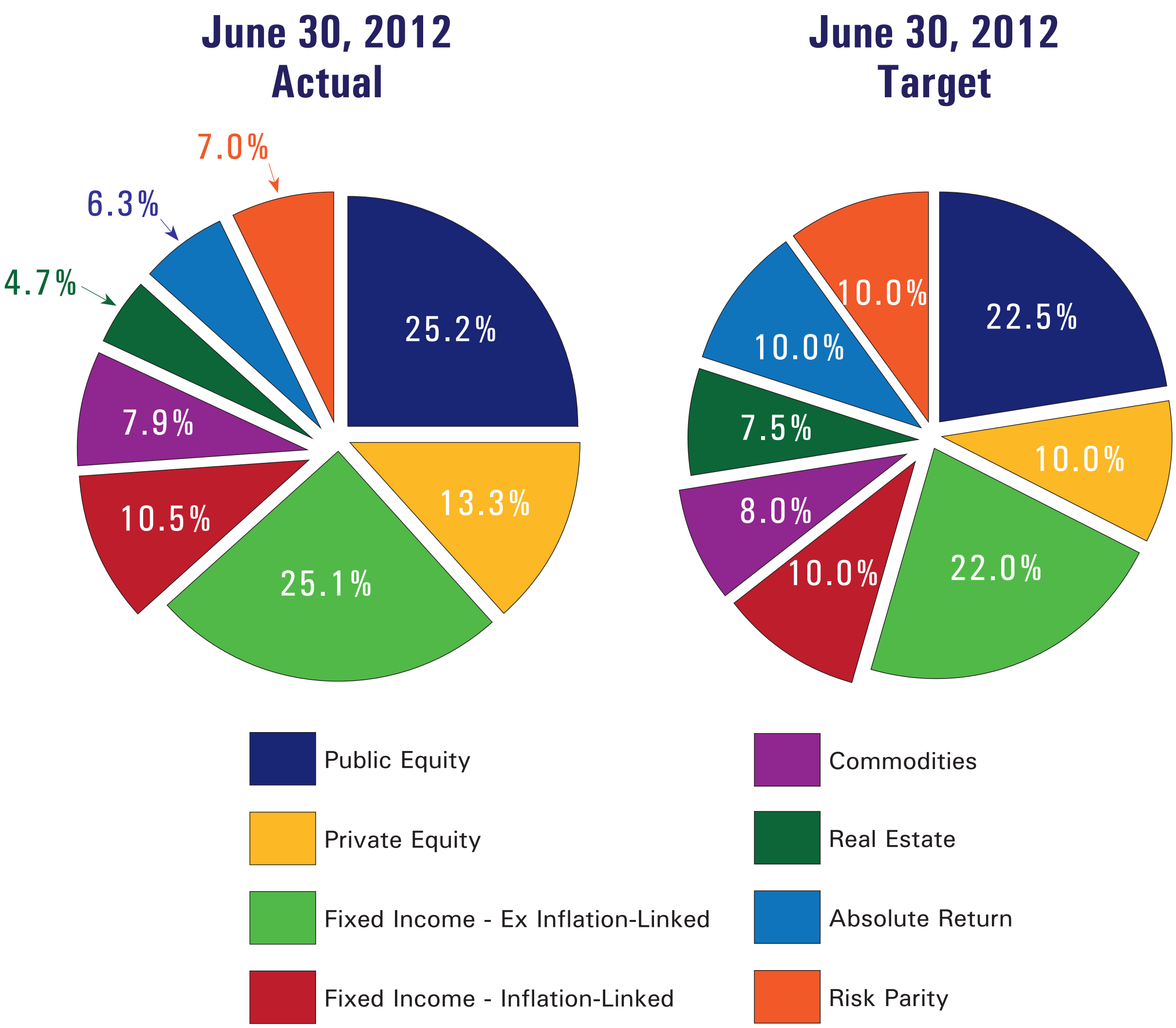
[1]Asset allocation percentages are a combination of the PERF and TRF allocations to each respective asset class as previously reported for fiscal year 2011.

[2]Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, Securities Sold Under Agreement to Repurchase, and immaterial timing differences compared to the accounting records.



Consolidated Defined Benefit Assets
Asset Allocation Summary
June 30, 2012 Actual vs. Target

Asset Class	June 30, 2012 Actual	Target	Allowable Range for Investments
Public Equity	25.2%	22.5%	20.0 to 25.0%
Private Equity	13.3	10.0	7.0 to 13.0
Fixed Income - Ex Inflation-Linked	25.1	22.0	19.0 to 25.0
Fixed Income - Inflation-Linked	10.5	10.0	7.0 to 13.0
Commodities	7.9	8.0	6.0 to 10.0
Real Estate	4.7	7.5	4.0 to 11.0
Absolute Return	6.3	10.0	6.0 to 14.0
Risk Parity	7.0	10.0	5.0 to 15.0
Total Consolidated Defined Benefit Assets	**100.0%**	**100.0%**	



Consolidated Defined Benefit Assets
Annualized Rate of Return by Asset Class vs. Benchmark Returns
Fiscal Year Ended June 30, 2012

(Percent Return[1])

	1-Year[2]			
Asset Class	Actual Return	Benchmark Return	Actual Over/ (Under) Benchmark (Pct. Points)	Benchmark
Public Equity	(6.1)%	(6.9)%	0.8	MSCI All Country World IMI Index (MSCI ACWI)
Private Equity	12.0	6.8	5.2	Russell 3000 Index Plus 300 Basis Points
Fixed Income - Ex Inflation-Linked	6.7	6.7	-	Barclays Capital Global Aggregate Index
Fixed Income - Inflation-Linked	11.1	8.9	2.2	Barclays Capital Global Inflation-Linked Bond Index
Commodities	(11.7)	(12.5)	0.8	Custom Benchmark[3]
Real Estate	9.0	13.6	(4.6)	NCREIF Open End Diversified Core Equity Index
Absolute Return	(2.5)	(4.5)	2.0	HFRI Fund of Funds Composite Index
Risk Parity[4]	1.0	(2.1)	3.1	Custom Benchmark[5]
Total Consolidated Defined Benefit Assets	**0.7 %**	**1.4 %**	**(0.7)**	Custom Benchmark[6]

[1]Net of fees.
[2]Based on calculations made by the System's custodian, BNY Mellon. Time-weighted rates of return have been reported for fiscal year 2012.
[3]50% Dow Jones UBS Commodity Index/50% Goldman Sachs Commodity Index.
[4]Inception date of the Risk Parity portfolio was March 14, 2012.
[5]60% MSCI ACWI IMI Index (Equities)/40% Barclays Global Aggregate Bond Index (Bonds).
[6]Benchmark history through December 31, 2011, represents composite returns for the legacy PERF and TRF dynamic policies combined using dynamic market weights each month and reported under the single Total Consolidated Benefit Assets structure beginning January 1, 2012.

Consolidated Defined Benefit Assets
Comparative Investment Results
Fiscal Year Ended June 30, 2012

(Percent Return[1])

	Annualized Rates of Return		
	1-Year[2]	3-Year[2]	5-Year[2]
Total Consolidated Defined Benefit Assets	0.7 %	11.0%	0.2 %
vs. BNY Mellon Public Universe Median[3]	1.1	11.7	0.4
Target Reference Index[4]	1.4	10.1	1.9
Total Domestic Equity	3.3	16.8	1.1
vs. BNY Mellon Public Universe Median	3.5	16.6	0.1
Russell 3000 Index	3.8	16.7	0.4
Total International Equity	(14.5)	7.4	(4.0)
vs. BNY Mellon Public Universe Median	(13.2)	8.4	(4.2)
MSCI ACWI ex U.S. IMI Net	(14.8)	7.4	(4.5)
Total Domestic Fixed Income	6.8	9.7	6.9
vs. BNY Mellon Public Universe Median	7.8	9.3	6.9
Barclays U.S. Aggregate Bond Index	7.5	6.9	6.8
Total International Fixed Income[5]	3.4	5.4	N/A
vs. BNY Mellon Public Universe Median	0.8	8.1	6.8
Barclays Global Aggregate ex-USD (USDH)	6.2	4.5	4.9

[1]Net of fees.
[2]Investment performance is based on calculations made by the system's custodian, BNY Mellon. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return based on the market rates of return.
[3]Universe of Public Funds.
[4]Benchmark history through December 31, 2011, represents composite returns for the legacy PERF and TRF dynamic policies combined using dynamic market weights each month and reported under the single Total Consolidated Benefit Assets structure beginning January 1, 2012.
[5]Inception date of International Fixed Income was during November 2008.

Consolidated Defined Benefit Assets
Ten-Year Investment Rates of Return

(dollars in millions)

Fiscal Year Ended June 30		Market Value of Assets	Rate of Return[1]	Actuarial Assumed Rate
2003	PERF CRIF[2]	$ 9,704.1	4.7 %	7.25%
	TRF DB[3] Assets	3,377.0	4.6	7.50
2004	PERF CRIF	11,338.2	16.3	7.25
	TRF DB Assets	3,738.0	14.8	7.50
2005	PERF CRIF	12,435.3	9.8	7.25
	TRF DB Assets	4,041.0	9.1	7.50
2006	PERF CRIF	13,694.9	10.7	7.25
	TRF DB Assets	4,521.0	11.2	7.50
2007	PERF CRIF	16,114.3	18.2	7.25
	TRF DB Assets	5,501.0	17.9	7.50
2008	PERF CRIF	14,851.0	(7.6)	7.25
	TRF DB Assets	5,252.0	(6.0)	7.50
2009	PERF CRIF	11,795.1	(20.6)	7.25
	TRF DB Assets	4,236.0	(18.0)	7.50
2010	PERF CRIF	13,314.0	13.9	7.25
	TRF DB Assets	5,073.0	14.8	7.50
2011	PERF CRIF	15,796.6	20.1	7.00
	TRF DB Assets	5,984.0	18.2	7.00
2012	INPRS[4]	19,708.9	0.7	7.00

[1]2003-2011: Gross of fees; 2012: Net of fees.
[2]Public Employees' Retirement Fund Consolidated Retirement Investment Fund
[3]Teachers' Retirement Fund Defined Benefit.
[4]INPRS Consolidated Defined Benefit Assets.

Consolidated Defined Benefit Assets
Statistical Performance
Fiscal Year Ended June 30, 2012

Statistic	1-Year	3-Years	5-Years	10-Years
Annualized Rate of Return	0.7%	11.0%	0.2%	5.7%
Annualized Standard Deviation	8.87	8.28	12.42	10.56
Annualized Sharpe Ratio	0.12	1.30	0.01	0.42
Beta	0.49	0.50	0.62	0.59
Annualized Alpha	(0.81)	0.59	(0.16)	(0.13)
Correlation	0.96	0.95	0.95	0.88

Market proxy is the S&P 500.
Risk Free proxy is the Citigroup 3-month Treasury Bill.

Definition of Key Terms:

Standard Deviation: A statistic used to measure the dispersion in a distribution. Dispersion is measured relative to the mean, or average of the distribution. The greater the dispersion, the higher the risk associated with the pattern of observations. One standard deviation describes two-thirds of the observations in a normal, or bell-shaped distribution. In an asset allocation context, standard deviation is a conventional proxy for risk or volatility.

Sharpe Ratio: Ratio used to measure risk-adjusted performance. The Sharpe Ratio is calculated by subtracting a risk-free rate (proxy) from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe Ratio provides insight on excess risk held in the portfolio. The greater a portfolio's Sharpe Ratio, the better its risk-adjusted performance has been. A negative Sharpe Ratio indicates that a risk-less asset would perform better than the security being analyzed.

Beta: A measure of the volatility, or systematic risk, of a security or portfolio in comparison to the market as a whole. Beta is the tendency of a security's return to respond to swings in the market. A Beta of less than one (1) indicates less volatility than the market. A Beta of greater than one (1) indicates greater volatility than the market.

Alpha: A measure of performance on a risk-adjusted basis. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

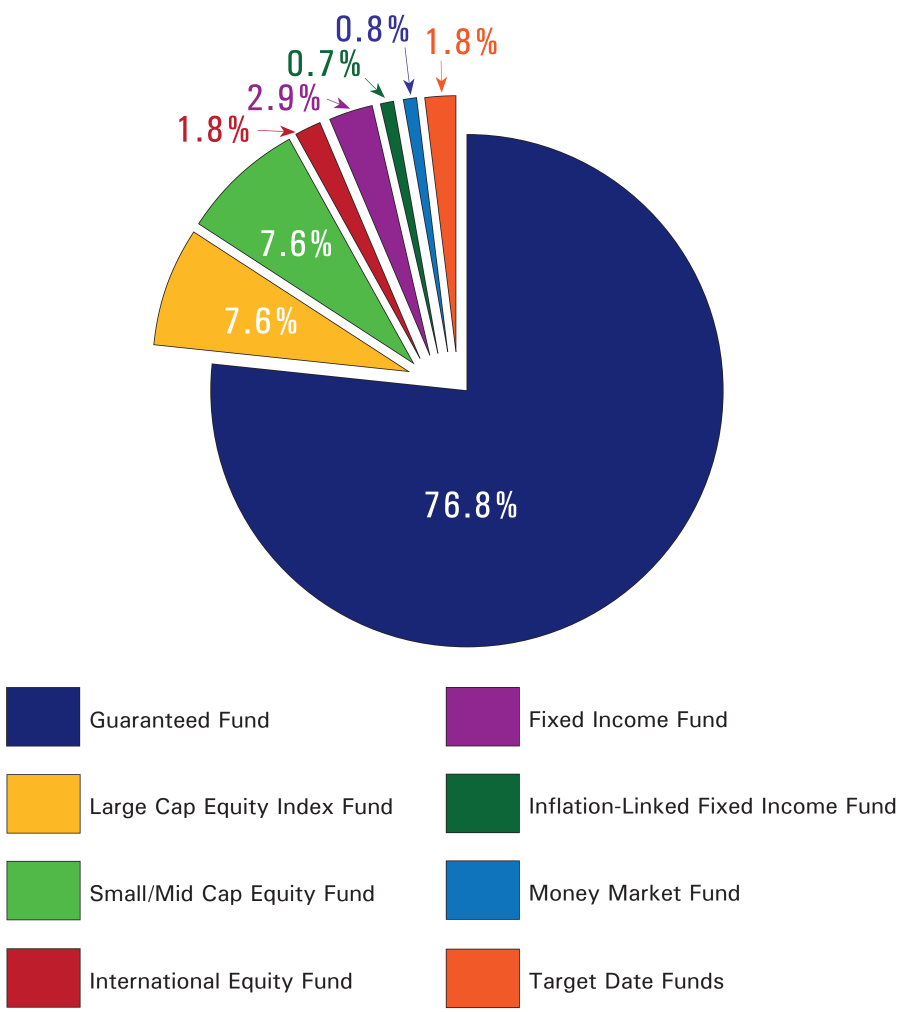
Correlation: A statistical measure of how two (2) securities move in relation to each other. A correlation of 1.0 indicates similar magnitude and direction of change. A correlation of negative (1.0) indicates similar magnitude, but opposite direction. A correlation of zero indicates the relationship is purely random. Often, the correlation is squared and known as R-squared or the Coefficient of the Correlation.

Public Employees' Retirement Fund (PERF)
Annuity Savings Accounts (ASA) – Assets by Investment Option
Fiscal Year Ended June 30, 2012

(dollars in millions)

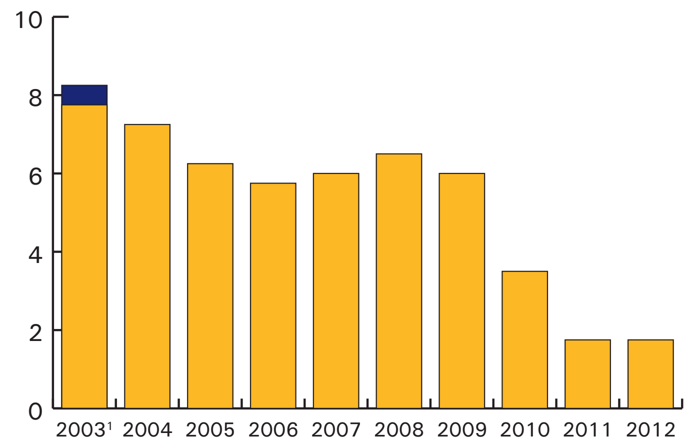
Investment Option	PERF ASA Assets	Percent of Self-Directed Investments
Guaranteed Fund	$ 2,095.2	76.8%
Large Cap Equity Index Fund	207.1	7.6
Small/Mid Cap Equity Fund	206.4	7.6
International Equity Fund	49.7	1.8
Fixed Income Fund	78.1	2.9
Inflation-Linked Fixed Income Fund	19.6	0.7
Money Market Fund	21.0	0.8
Target Date Funds[1]	50.8	1.8
Total PERF ASA Assets[2]	**$ 2,727.9**	**100.0%**

[1]Consolidated market values of all Target Date Funds.
[2]Includes Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, and Securities Sold Under Agreement to Repurchase.



PERF Annuity Savings Accounts
Guaranteed Fund Interest Crediting Rates

Fiscal Year Ended June 30	PERF ASA Interest Crediting Rate
2003[1]	8.25/7.75%
2004	7.25
2005	6.25
2006	5.75
2007	6.00
2008	6.50
2009	6.00
2010	3.50
2011	1.75
2012	1.75



[1]For the fiscal year ended June 30, 2003, the interest crediting rate of the Guaranteed Fund is credited based on an annual rate of 8.25% for the first quarter and 7.75% for the remaining three quarters.

Self-Directed Investment Options
PERF Annuity Savings Accounts
Annualized Rate of Return by Investment Option
Fiscal Year Ended June 30, 2012

(Percent Return[1])

Investment Option	1-Year[2]	3-Year[2]	5-Year[2]
Guaranteed Fund	1.75%	2.4%	3.9 %
Large Cap Equity Index Fund	5.5	16.5	0.2
Small / Mid Cap Equity Fund	(2.9)	18.7	1.8
International Equity Fund	(14.9)	7.4	(4.0)
Fixed Income Fund	7.7	8.2	7.7
Inflation-Linked Fixed Income Fund	11.2	9.3	8.5
Money Market Fund	0.1	0.1	1.1
Target Date Funds:			
Retirement Fund	6.2	7.9	6.3
Retirement Fund 2015	5.0	8.7	5.7
Retirement Fund 2020	3.8	9.5	5.1
Retirement Fund 2025	1.7	10.3	4.0
Retirement Fund 2030	(1.4)	10.9	1.9
Retirement Fund 2035	(2.4)	10.9	1.4
Retirement Fund 2040	(2.5)	10.9	1.3
Retirement Fund 2045	(2.5)	10.9	1.3
Retirement Fund 2050	(2.5)	10.9	1.3
Retirement Fund 2055	(2.5)	10.9	1.4

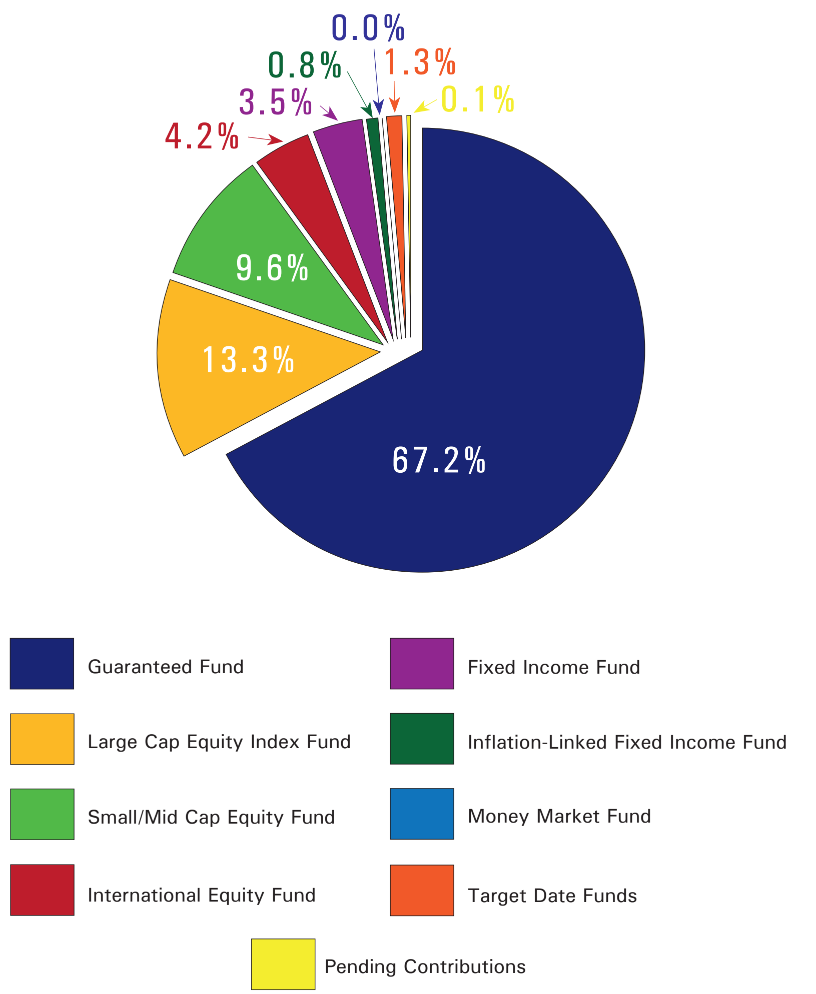
[1]Net of fees.
[2]Based on performance calculations made by the system's recordkeeper, Xerox. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the fiscal year ended June 30, 2012. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.

Teachers' Retirement Fund (TRF)
Annuity Savings Accounts (ASA) – Assets by Investment Option
Fiscal Year Ended June 30, 2012

(dollars in millions)

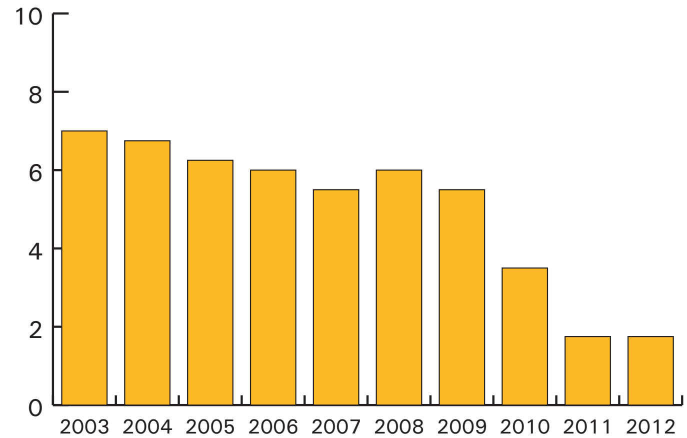
Investment Option	TRF ASA Assets	Percent of Self-Directed Investments
Guaranteed Fund	$ 1,916.5	67.2%
Large Cap Equity Index Fund	379.8	13.3
Small / Mid Cap Equity Fund	273.7	9.6
International Equity Fund	121.0	4.2
Fixed Income Fund	98.6	3.5
Inflation-Linked Fixed Income Fund	22.6	0.8
Money Market Fund	0.7	0.0
Target Date Funds[1]	36.2	1.3
Pending Contributions	1.6	0.1
Total TRF ASA Assets[2]	**$ 2,850.7**	**100.0%**

[1]Consolidated market values of all Target Date Funds.
[2]Includes Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, and Securities Sold Under Agreement to Repurchase.



TRF Annuity Savings Accounts Guaranteed Fund Interest Crediting Rates

Fiscal Year Ended June 30	TRF ASA Interest Crediting Rate
2003	7.00%
2004	6.75
2005	6.25
2006	6.00
2007	5.50
2008	6.00
2009	5.50
2010	3.50
2011	1.75
2012	1.75



Self-Directed Investment Options TRF Annuity Savings Accounts Annualized Rate of Return by Investment Option Fiscal Year Ended June 30, 2012

(Percent Return[1])

Investment Option	1-Year[2]	3-Year[2]	5-Year[2]
Guaranteed Fund	1.75%	2.4%	3.7 %
Large Cap Equity Index Fund	5.5	16.4	0.1
Small / Mid Cap Equity Fund	(3.0)	18.4	1.7
International Equity Fund	(15.0)	7.2	(4.1)
Fixed Income Fund	8.2	8.3	8.0
Inflation-Linked Fixed Income Fund	11.6	9.5	8.6
Money Market Fund	0.1	0.1	1.1
Target Date Funds:			
Retirement Fund	6.5	8.0	6.4
Retirement Fund 2015	5.4	8.8	5.8
Retirement Fund 2020	4.1	9.6	5.3
Retirement Fund 2025	2.0	10.4	4.1
Retirement Fund 2030	(1.2)	10.9	2.0
Retirement Fund 2035	(2.3)	10.9	1.4
Retirement Fund 2040	(2.4)	10.9	1.4
Retirement Fund 2045	(2.4)	10.8	1.4
Retirement Fund 2050	(2.4)	10.8	1.4
Retirement Fund 2055	(2.3)	10.9	1.4

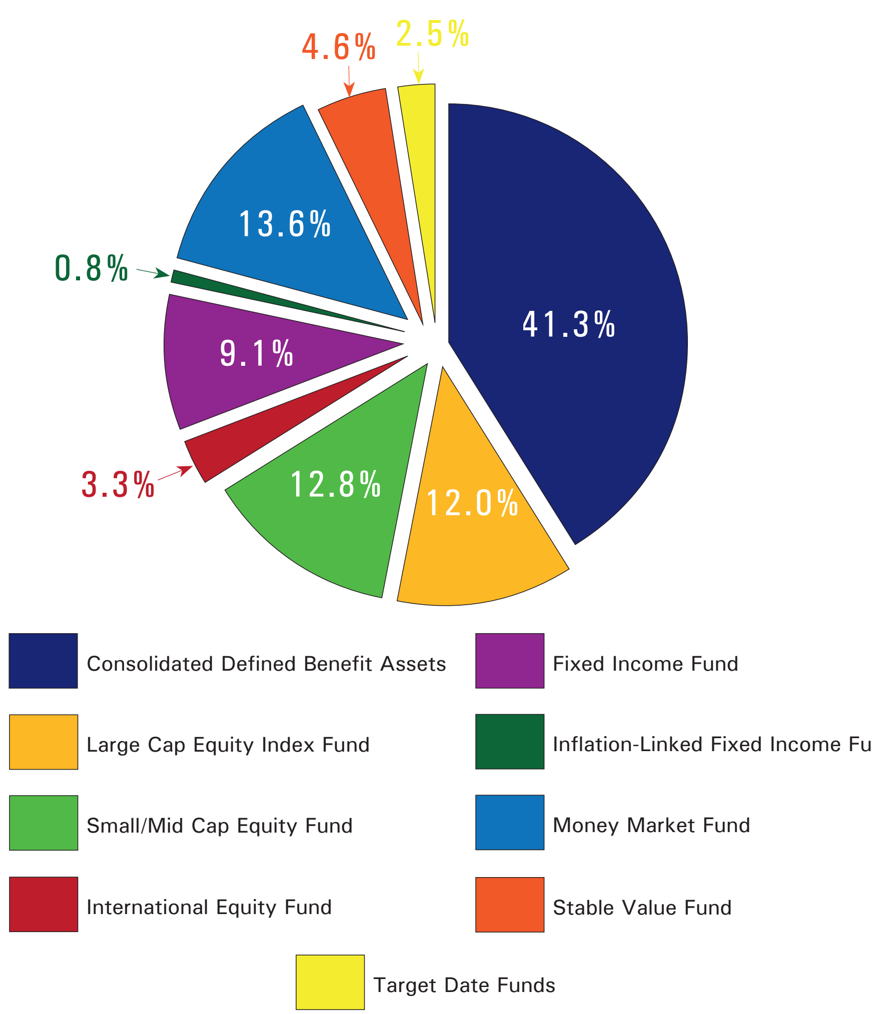
[1]Net of fees.
[2]Based on performance calculations made by the system's recordkeeper, Xerox. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the fiscal year ended June 30, 2012. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.

Legislators' Defined Contribution Plan Assets
Fiscal Year Ended June 30, 2012

(dollars in millions)

Investment Option	LEDC Plan Assets	Percent of Self-Directed Investments
Consolidated Defined Benefit Assets	$ 10.0	41.3%
Large Cap Equity Index Fund	2.9	12.0
Small / Mid Cap Equity Fund	3.1	12.8
International Equity Fund	0.8	3.3
Fixed Income Fund	2.2	9.1
Inflation-Linked Fixed Income Fund	0.2	0.8
Money Market Fund	3.3	13.6
Stable Value Fund	1.1	4.6
Target Date Funds[1]	0.6	2.5
Total LEDC Plan Assets[2]	**$ 24.2**	**100.0%**

[1]Consolidated market values of all Target Date Funds.
[2]Includes Securities Lending Collateral, Repurchase Agreements, Investments Receivable, Interest and Dividends Receivable, Investments Payable, Securities Lending Obligations, and Securities Sold Under Agreement to Repurchase.



Self-Directed Investment Options
Legislators' Defined Contribution Plan
Annualized Rate of Return by Investment Option
Fiscal Year Ended June 30, 2012

(Percent Return[1])

Investment Option	1-Year[2]	3-Year[2]	5-Year[2]
Consolidated Defined Benefit Assets	0.2 %	10.8%	0.2 %
Large Cap Equity Index Fund	5.5	16.5	0.2
Small/Mid Cap Equity Fund	(2.9)	18.7	1.8
International Equity Fund	(14.9)	7.4	(4.0)
Fixed Income Fund	7.7	8.2	7.7
Inflation-Linked Fixed Income Fund	11.2	9.3	8.5
Money Market Fund	0.1	0.1	1.1
Stable Value Fund	3.2	4.0	4.2
Target Date Funds:			
Retirement Fund	6.2	7.9	6.3
Retirement Fund 2015	5.0	8.7	5.7
Retirement Fund 2020	3.8	9.5	5.1
Retirement Fund 2025	1.7	10.3	4.0
Retirement Fund 2030	(1.4)	10.9	1.9
Retirement Fund 2035	(2.4)	10.9	1.4
Retirement Fund 2040	(2.5)	10.9	1.3
Retirement Fund 2045	(2.5)	10.9	1.3
Retirement Fund 2050	(2.5)	10.9	1.3
Retirement Fund 2055	(2.5)	10.9	1.3

[1]Net of fees.
[2]Based on performance calculations made by the system's recordkeeper, Xerox. The 1-year, 3-year, and 5-year performance returns are time-weighted rates of return for the fiscal year ended June 30, 2012. Prior to July 30, 2010, all data presented (excluding the Guaranteed Fund) is calculated from manager composite performance. After July 30, 2010, all performance presented consists of actual investment returns experienced by members.

INPRS "Top 10" Equity Holdings
Fiscal Year Ended June 30, 2012
(by Market Value)[1]

(dollars in thousands)

Company	Shares	Market Value
Apple Inc.	135,272	$ 78,999
Exxon Mobil Corp.	501,737	42,934
Microsoft Corp.	1,064,396	32,560
Novartis	521,146	29,127
International Business Machine Corp.	144,555	28,272
General Electric Co.	1,340,823	27,943
AT&T Inc.	770,703	27,483
Philip Morris International Inc.	304,062	26,532
Wells Fargo & Co.	690,032	26,480
Intel Corp.	8,122,946	26,404

[1]A complete list of portfolio holdings is available upon request.

INPRS "Top 10" Fixed Income Holdings
Fiscal Year Ended June 30, 2012
(by Market Value)[1]

(dollars in thousands)

Description	Coupon Rate	Maturity Date	Par Value	Market Value
U.S. Treasury - CPI Inflation Index Bond	0.125%	4/15/16	$ 188,592	$ 196,298
U.S. Treasury - CPI Inflation Index Bond	0.125	1/15/22	134,410	142,212
U.S. Treasury Note	1.000	3/31/17	119,775	121,422
U.S. Treasury - CPI Inflation Index Bond	0.625	7/15/21	107,806	120,069
FNMA TBA 3.5%	3.500	8/01/42	114,500	120,028
U.S. Treasury - CPI Inflation Index Bond	1.125	1/15/21	97,521	112,226
U.S. Treasury - CPI Inflation Index Bond	2.375	1/15/25	76,668	100,968
U.S. Treasury - CPI Inflation Index Bond	2.000	1/15/14	93,826	97,418
U.S. Treasury - CPI Inflation Index Bond	5.000	4/15/15	91,120	94,608
U.S. Treasury - CPI Inflation Index Bond	1.250	7/15/20	76,879	89,264

[1]A complete list of portfolio holdings is available upon request.

Top 10 Brokers' Commission Fees
Fiscal Year Ended June 30, 2012

(dollars in thousands)

Broker		Amount Paid in Fees
Credit Suisse	$	665
Morgan Stanley & Co. Inc.		602
UBS Securities LLC		222
Newedge USA LLC		186
Citigroup		175
Investment Technology Group		158
State Street Bank & Trust Co.		154
Instinet Europe Limited		142
Goldman Sachs & Co.		137
Liquidnet Inc.		131
Top 10 Brokers' Commission Fees		2,572
Other Brokers		3,908
Total Brokers' Commission Fees	**$**	**6,480**

Investment Management Fees by Asset Class
Fiscal Year Ended June 30, 2012

(dollars in thousands)

Asset Class	Investment Management Fees
Consolidated Defined Benefit Assets	
Public Equity	$ 24,510
Private Equity	28,000
Fixed Income - Ex Inflation-Linked	10,160
Fixed Income - Inflation-Linked	6,494
Commodities	2,350
Real Estate	3,181
Absolute Return	27,066
Risk Parity	359
Total Consolidated Defined Benefit Assets	102,120
Annuity Savings Account Assets	4,364
Total Investment Management Fees	**$ 106,484**

Consolidated Defined Benefit Assets

Custodian
Bank of New York Mellon

Consultants
Aksia
ORG Real Property
Strategic Investment Solutions

Public Equity
Altrinsic Global Advisors, LLC
Arrowstreet Capital, LP
Artisan Partners Limited Partnership
Baillie Gifford & Company
Barrow Hanley
BlackRock Institutional Trust
Columbus Circle Investors
Delaware
DePrince Race & Zollo
Earnest Partners, LLC
Gryphon
JP Morgan Asset Management
Leading Edge Investment Advisors
Mondrian Investment Partners, Inc.
Rhumbline Advisers
Schroders
Times Square Capital Management, LLC
Wells Capital Management

Private Equity
A.M. Pappas & Associates, LLC
ABRY Partners, LLC
Accel Partners
Accent Equity Partners AB
Actis Capital LLP
Advanced Technology Ventures
Advent International Corp.
Aisling Capital
American Securities Capital Partners, LP
AnaCap Financial Partners LLP
Apax Partners
Apollo Advisors, LP
Arch Venture Partners
Ares Management, LLC
Austin Ventures
Avenue Capital Partners
Bain Capital, Inc.
Bay Partners
Bertram Capital
Black Diamond Capital Management, LLC
BPEP International
Brentwood Associates
Caltius Mezzanine
Candover Partners, Ltd
Cardinal Partners
Catterton Partners
Centerfield Capital Partners
Century Park Capital Partners
Cerberus Capital Management, LLC
Charterhouse Group International, Inc.
CID Capital
Cinven
Close Brothers Private Equity, Ltd
Code Hennessy & Simmons LLC
Coller Capital
Columbia Capital LLC
Court Square Capital Partners
Credit Suisse First Boston
Credit Suisse Private Equity
Crescent Capital
Crescent Mezzanine Partners
Crestview Capital Funds
CVC Capital Partners
Doll Capital Management
Elevation Associates, LP
EnCap Investments LP
Energy Capital Partners GP
Enhanced Capital Partners
Escalate Capital Partners
Falcon Strategic Partners
First Reserve Corporation
Forbion Capital Partners
Fortress Investment Group LLC
Gilde Buy Out Partners
Globespan Capital Partners
Green Equity Partners
Greenpark International Investors
GSO Capital Partners, LP
GTCR Golder Rauner, LLC
H2 Equity Partners BV
Hammond Kennedy Whitney & Co.
Hellman & Friedman LLC
Herkules Capital
High Road Capital Partners
Horsley Bridge Partners
Insight Venture Partners
Institutional Venture Partners
JFM Management Inc.
Kailai Investments
Khosla Ventures
KPS Special Situations Funds
Landmark Partners, Inc.
Lexington Capital Partners
Lightyear Capital LLC
Lindsay Goldberg
Lion Capital
MBK Partners
Merit Capital Partners
Mill Road Capital
Natural Gas Partners
Neovara
Neuberger Berman
New Enterprise Associates
New Mountain Partners
Oak Hill Advisors, LP
Oak Hill Capital Management, LLC
Oak Investment Partners
Oaktree Capital Management, LLC
Opus Capital
Panda Power Generation Infrastructure Fund, GP
Parthenon Capital Partners
Peninsula Capital Partners, LLC
Permira
Platinum Equity, LLC
Rho Capital Partners, Inc.
RJD Partners Limited
SAIF Partners
Sankaty Credit Advisors

Scale Management
Silver Cup Partners
Silver Lake Partners, LLC
Sun Capital Partners, Inc.
TA Associates
Technology Crossover Ventures
Technology Partners
Terra Firma
Texas Pacific Group
The Blackstone Group
The Jordan Company
TowerBrook Investors LP
Trilantic Capital Partners
Trinity Ventures
Triton Partners
True Ventures
TSG6 Management, LLC
Veritas Capital
Veronis Suhler Stevenson
Vestar Capital Partners, Inc.
Vintage Venture Partners
Vision Capital LLP
Vista Equity Partners
Walden Group of Venture Capital Funds
Warburg, Pincus LLC
Wayzata Investment Partners, LLC
Weston Presido Capital Management
White Deer Management LLC
Windjammer Capital Investors
WL Ross & Company, LLC
Xenon Private Equity
York Capital Management

Fixed Income – Ex Inflation-Linked

Alliance Capital
Goldman Sachs Asset Management, LP
Loomis Sayles & Company, LP
Mondrian Investment Partners, Inc.
Pacific Investment Management Company (PIMCO)
Prudential
Reams Asset Management
Taplin Canida & Habacht

Fixed Income – Inflation-Linked

BlackRock Financial Management
Bridgewater Associates, Inc.
Northern Trust Global Investments

Commodities

CoreCommodity Management
Goldman Sachs Asset Management, LP
Gresham Investment Management, LLC
The Blackstone Group

Real Estate

Blackstone Real Estate Partners
Colony Capital, LLC
European Investors, Inc.
Greenfield Partners, LLC
H/2 Capital Partners
Harrison Street Real Estate Capital, LLC
House Investments
JDM Partners
LaSalle Investment Management
Lone Star
Mesa West
Prima Capital Advisors, LLC
Stockbridge Capital Group
TA Realty Associates
Walton Street Capital, LLC
WestRiver Capital, LLC

Absolute Return

Advent Capital Management, LLC
BellPoint
Blackstone Alternative Asset Management (BAAM)
Brevan Howard Asset Management, LLP
Bridgewater Associates, Inc.
Brigade
Brookside Capital, LLC
Davidson Kempner Capital Management
Elm Ridge Capital Management, LLC
Highfields Capital
King Street Capital Management
Linden
Pacific Alternative Asset Management Company (PAAMCO)
Paulson and Co, Inc.
Perella Weinberg
Theorema
Viking Global Investors

Risk Parity

AQR
Bridgewater Associates, Inc.

Annuity Savings Account and Legislators' Defined Contribution Plan Assets

- Public Employees' Retirement Fund (PERF)
- Teachers' Retirement Fund (TRF)
- Legislators' Defined Contribution Plan (LEDC Plan)

Consultant
Capital Cities

Large Cap Equity Index Fund
BlackRock Institutional Trust

Small/Mid Cap Equity Fund
CS McKee
Loomis Sayles & Company
Rhumbline Advisers

International Equity Fund
Baillie Gifford & Company
BlackRock Institutional Trust
Dimensional Fund Advisors
Earnest Partners

Fixed Income Fund
Loomis Sayles & Company
Northern Trust (PERF and LEDC Plan only)
Pacific Investment Management Company (PIMCO)
State Street Global Advisors (TRF only)

Inflation-Linked Fixed Income Fund
BlackRock Institutional Trust

Money Market Fund
Bank of New York Mellon

Stable Value Fund
Northern Trust Global Advisors (LEDC Plan only)

Pension Relief Fund

Bank of New York Mellon

Special Death Funds

PNC Institutional Investments